

**Housing and Communities Overview and Scrutiny Panel – 22
January 2025**

Housing Revenue Account Budget and Housing Public Sector Capital Expenditure Programme 2025/26

Purpose	For review
Classification	Public
Executive Summary	<p>The report sets out a proposed balanced HRA budget for 2025/26, including decisions to be taken on dwelling rents, garage rents, shared ownership and service charge.</p> <p>The proposed budget includes uplifted maintenance budgets meaning that a total of £18.939 million will be spent on maintaining tenant’s properties in 2025/26. This proposal supports the Council’s Corporate Plan commitments and responsibilities to its tenants.</p> <p>Budgets of £1.5m and £1.87m are proposed for Fire Safety & Statutory compliance, and Decarbonisation respectively.</p> <p>The proposed Capital Programme totals £30.820m, including spend of £15.2m on the continued development and acquisition of new Council dwellings. The Capital programme requires external loan finance of £12.865m, with the cost of this borrowing covered in the medium-long term through the rents payable.</p> <p>The budget is supported by a 30 year business plan forecast and spending decisions taken within this proposed budget support the financial sustainability of the HRA over this longer term period through the protection of the minimum reserve balance and an appropriate level of interest cover.</p>
Recommendations	<p>That the Panel consider the HRA budget and housing public sector capital expenditure programme for 2025/26 which recommends:</p>

	<ol style="list-style-type: none"> 1. that from 07 April 2025, an increase in dwelling rents of 2.7% from the 2024/25 weekly rent level, in accordance with Government guidelines, be agreed; 2. that from 07 April 2025, an increase in garage rents of 2.7% from the 2024/25 weekly rent level be agreed; 3. that from 07 April 2025, an increase in shared ownership property rents of 3.2% from the 2024/25 weekly rent level, in accordance with Government guidelines of RPI +0.5%, be agreed, and that the weekly rent of one additional property sold under previous legislation be increased by 2.7%; 4. that from 07 April 2025 Service Charges will continue to reflect actual charges and following a reduction in window cleaning and utility costs, these respective charges will be reduced; 5. that the HRA budget, as set out in Appendix 1 of this report, be agreed; and 6. that a Housing Capital Programme to 2027/28, as set out in Appendix 4, be agreed.
Reasons for recommendation(s)	<p>The Current National agreed Rent Settlement allows for social housing rents to be increased by up to CPI +1%.</p> <p>To maximise rental income to continue to afford and provide energy efficient, safe and quality housing to our tenants, and to continue to provide new affordable housing it is recommended to set the rent increase to the maximum allowable and to confirm the capital programme to comply with statutory compliance regulations, Social Housing Regulation Act 2023 and the Council’s Corporate Plan commitments.</p>
Ward(s)	All

Portfolio Holder(s)	Cllr Steve Davies – Housing and Homelessness
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Introduction and background

1. This report sets out the proposed Housing Revenue Account (HRA) budget, the proposed rent levels and other charges, the maintenance programme and a proposed Housing Public Sector Capital Programme for 2025/26 – 2027/28.
2. The proposed budgets for 2025/26 will be considered by tenants on the Tenants Involvement Group on 16 January 2025.
3. The proposed HRA budget is attached as **Appendix 1**, the detailed maintenance programme at **Appendix 2**, the 3-year forecast medium term financial position at **Appendix 3**, the proposed Capital programme at **Appendix 4** and a 30-year business plan briefing document at **Appendix 5**.

Key Issues

4. Housing Authorities and Registered Providers face on-going challenges to maintain the continuation of high-quality services to their tenants, ensuring that buildings are safe and free from hazards and delivering greater energy efficiency measures in the retrofitting of their stock, as well as delivering more affordable homes. Tenants, too, are facing challenges over rises in the cost of living. The proposal set out below to increase rents in line with the

Government's current recommendation is considered to strike the right balance to ensure that the Council continues to provide high quality services to tenants and that the necessary programmes of maintenance and repairs to council housing stock are undertaken, as well as delivering Decarbonisation targets and new affordable council homes in the district.

5. Members are asked to consider a number of financial issues for 2025/26.

Housing Rents

6. The proposed budget identifies a social rent increase of 2.7%, in line with the Government's policy rent increase guidelines. It is the sixth increase, following a previous four-year social rent reduction programme.
7. Following the rent increase, average weekly rents will be £125.78 for 2025/26. The actual increase will vary by property but will amount to an average increase of £3.31 per week. Over 60% of tenants are in receipt of benefits to help pay rent costs.

Service Charges – Hostels & Flat Accommodation

8. Service Charges are currently used by the Council as a method to recover Council Tax and domestic and communal energy costs from tenants where their personal usage costs are charged directly to the Council by the respective billing organisations. Service Charges are also used to recover some aspects of equipment provision, cleaning and communal heating and lighting costs from tenants, which are also incurred in their respective properties.
9. From April 2024 an additional 800 tenants were charged their share of communal and domestic costs, not previously recovered. All charges were also revised and disaggregated to reflect accurate charges, and which then could be adjusted more flexibly each year. Therefore 1,300 tenants now pay service charges to the Council and a review of costs and rates commences at the end of each calendar year to inform this report.
10. For 25/26 total service charge income will reduce by £27,000, reflecting 1 less rent week during the year, and a small reduction in costs to the council for providing a new window cleaning contract and a reduction in utility costs.

Garage Rents

11. It is proposed that garage rent charges are increased in 2025/26 by 2.7% (£0.37 per week) to £14.27 per week, plus VAT where applicable.

Planned Maintenance & Improvement Works

12. The report proposes total budgetary provision of £13.534 million for planned maintenance and improvement works to houses and estates. This, together with budgetary provision of £5.405 million for reactive maintenance works means that, in total, £18.939 million will be spent on tenant's properties in 2025/26. Details of the proposed works for 2025/26 and an indication of proposals for the following two years are set out in **Appendix 2**.

Fire Risk Assessment Works

13. Between 2022/23 and 2024/25 the Council will have spent £6.4 million on fire safety and statutory compliance matters. Further funding of £1.5 million has been allocated for 2025/26 to continue the requirements to address identified actions from Fire Risk Assessments (FRAs) in flat blocks.

Decarbonisation Programme

14. In 2023/24 work to establish the future upgrade programmes to deliver all homes to EPC C by 2030, and net zero carbon by 2050 were established. Measures required to each home within the Council stock to meet these targets is known and estimated costs applied up to 2050. 2024/25 was considered a transition year where planning the upgrade strategy began to be overtaken by the delivery of increased retrofit activity. Funding of £1.870 million is proposed for 2025/26, but total expenditure up to 2030 is likely to be £15 million, with a further £115 million required to meet net zero targets by 2050.
15. Expenditure in the next 3 years will likely be offset by securing a grant of up to £4.008 million from the Social Housing Decarbonisation Fund (SHDF).

HRA Income 2025/26

16. Estimated total income for 2025/26 is £1.009 million higher than the original budget for 2024/25. The income variations from the 2024/25 approved budget are set out below:

	Change	£000	Paragraph
Dwelling Rents		(834)	17
Non – Dwelling Rents		40	18
Service Charges		27	19
Contributions to Expenditure		(217)	20
Other Income		(25)	21
Total		(1,009)	

17. **Dwelling Rents (£834,000 increase)** – The proposed budget for 2025/26 includes the benefits of £913,000 arising from the proposed 2.7% rent increase, £118,000 from a net increase in property numbers from the development programme, including new shared ownership properties, offset by Right to Buy Sales, £23,000 from flexible rent and capped rent changes and £437,000 ongoing increased income arising during 2024/25. These additional items are offset by a reduction of £657,000 from the impact of the 2024/25 53-week rent year.
18. **Non - Dwelling Rents £40,000 reduction** – This income is derived from garages and rents of other housing land. The overall reduction reflects a £45,000 impact of reduced lettings due to voids and an ongoing project to provide a full options appraisal of all sites, and £14,000 from the impact of the 53-week rent year, offset by a £19,000 benefit arising from the proposed 2.7% increase in charges.
19. **Service Charges £27,000 reduction** – The service charges proposals detailed in Section 3 will result in reduced income of £27,000 largely due to income loss of £22,000 from the 53 rent week impact and £5,000 from reduced charges to reflect a reduction in costs to the council for providing a new window cleaning contract and a reduction in utility costs.
20. **Contributions to Expenditure (£217,000 increase)** – This additional income reflects an anticipated reimbursement from the Government of the additional costs arising from the National Insurance changes announced in the Budget and an £17,000 Government grant towards Tenant Satisfaction Measures Costs.
21. **Other Income (£25,000 increase)** – The Shared Amenities contribution from the General Fund has increased by £48,000 to

cover inflationary increases in costs and increases in expenditure on trees and other estate budgets. This is offset by a reduction in anticipated interest earnings of £23,000 due to lowering interest rates offset by increased opening balances brought forward from 2023/24.

HRA Expenditure 2025/26

22. Budgeted operating expenditure for 2025/26 is £2.027 million higher than the approved budget for 2024/25. After allowing for depreciation charges and transfers of £150,000 from reserves for specific earmarked projects, surplus resources available for making principal repayments on borrowing have reduced by £1.368 million to maintain a balanced Housing Revenue Account for the year, as detailed in paragraph 29 The major variations are set out below:

	Change	Paragraph
	£000	
Cyclical/Reactive Maintenance	833	23
General Management	523	24
Grounds Maintenance and Trees	152	25
Housing Schemes and Temporary Accommodation	48	26
Capital Financing Costs - Interest	471	27
Operating Expenditure	2,027	
Contribution to Capital – Supporting Housing Strategy	500	28
	2,527	
Capital Financing Costs – Principal	(1,368)	29
Total	1,159	

23. **Cyclical/Reactive Maintenance £833,000** – Increased maintenance budgets are principally due to pay and prices increases of £209,000, £216,000 for the continuation of additional supplies and hired services costs identified and reported during 24/25, an increase of £265,000 on cyclical maintenance due to the expansion of external cleaning works and other audit/maintenance contracts, the transfer of £56,000 of ICT costs previously allocated to General Management and the allocation of additional £47,000 depot asset maintenance costs./
24. **General Management £523,000** - Supervision and Management budgets will increase due to pay and prices increases of £349,000, by £478,000 for allocated costs from the Transformation Programme and by additional Corporate and Democratic Process cost allocations

of £404,000, representing £882,000 of additional corporate costs for the HRA to absorb, but these are offset by the removal of the 24/25 £60,000 budget for a garages' sites survey, the transfer of £288,000 Planned Maintenance Staffing costs to capital budgets, to better utilise the Major Repairs funding, the removal of £53,000 from a vacant Housing Development Team post, a reduction of £98,000 in ICT allocations (£56,000 transferred to repairs and maintenance), a reduction of £70,000 in the pay award contingency to cover the excess impact of the 24/25 award and £80,000 in reduced allocable corporate costs largely due to changes in ICT work programme allocations.

25. **Grounds Maintenance and Trees £152,000** – An increase in budgets is principally due to pay and prices increases of £43,000, an increase of £50,000 in trees maintenance costs following a contract retender, and £59,000 additional charges from the internal grounds maintenance team, covering additional depot costs and additional ICT and mobile phone costs, following a detailed review of the allocation methodology.
26. **Housing Schemes and Temporary Accommodation £48,000** – Additional costs are principally due to inflation £17,000, the inclusion of an £18,000 allocation from the CCTV/Community Alarms team to cover monitoring in older persons accommodation and an increase of £9,000 in ICT allocations following the change in allocation methodology.
27. **Capital Financing Costs Interest £471,000** – Capital Financing costs have increased by £471,000. This is due to interest costs of £308,000 on forecast new borrowing for the proposed 25/26 capital programme set out in paragraphs 34-38 of this report and £279,000 interest costs of the 2023/24 outturn and latest 24/25 capital programmes, offset by a reduction of £116,000 in interest costs due to the repayment of the next £4.1 million instalment of the settlement borrowing in March 2025.
28. **Contribution to Capital - Supporting Housing Strategy** – This budget is the prescribed calculation of dwellings depreciation that needs to be charged to the Housing Revenue Account and is used to part fund the capital programme. The figure is based on a combination of factors including property valuation, component costs and remaining component life. Due principally to increased materials costs the estimated charge has been increased by £500,000 to £10.2 million.
29. **Capital Financing Costs – Principal (£1.368 million reduction)**– After allowing for transfers from reserves of £150,000, the Council is

required to set a balanced budget for the year. Increased operating expenditure of £2.527 million exceeds estimated increased operating income of £1.009 million, reducing the annual amount available for repaying principal on borrowing by £1.368 million. This means that there will not be sufficient resources to enable the maturing loan of £4.1 million to be repaid during 2025/26 and therefore additional new borrowing of £926,000 will be required.

HRA Reserve Balance

30. The HRA Reserve balance as at 1 April 2024 was £1 million. This is a prudent level and meets with good governance practice.
31. The original 2024/25 HRA budget showed a break-even operating position, with no proposed reserves transfers. A financial update report for the year will be presented to Cabinet on 5 February 2025, which will include forecast variations to the year end. In accordance with current policy, any surplus or deficit for the year will be balanced by a transfer to or from the Acquisitions and Development Reserve, but assuming a break-even HRA position for the year 2024/25, this will result in a year-end balance of c£4.4 million as at 31 March 2025, after funding the capital programme.
32. The proposed HRA budget for 2025/26 currently shows a break-even position and therefore the estimated Housing Revenue Account balance (cash reserve) as at 31 March 2025 and 31 March 2026 will be £1 million.

30 Year Business Plan

33. In 24/25 the Council, with the assistance of an external consultant produced an initial 30-year HRA business plan projection, a summary of which was included in the budget report last year. This projection was further refined during the last year which has informed this budget proposal and shows that increased borrowing proposed by this report is affordable. If approved the proposed budget will be incorporated in to a formal plan with an agreed medium to long-term strategic direction for stock investment and new housing development. A Briefing document is attached at **Appendix 5**.

Capital Programme

34. The proposed Housing Public Sector capital expenditure programme for 2025/26 totals £28.620 million. The detailed programme and anticipated funding is set out over the page with indicative details for future years in **Appendix 4**.

Proposed Expenditure	Original 2024/25 £000	Latest 2024/25 £000	Original 2025/26 £000
Fire Risk Assessment Works	1,000	1,000	1,500
Major Structural Refurbishments	1,260	1,260	0
Planned Maintenance & Improvements	8,600	8,600	11,100
Decarbonisation Works	2,170	1,970	1,870
Estate Improvements	200	200	200
Disabled Facilities Adaptations	950	950	950
Development Strategy	18,200	18,200	15,200
TOTAL	32,380	32,180	30,820
Funded by:			
Revenue	9,700	9,700	10,200
Capital Receipts	2,000	4,200	4,000
Acquisitions and Dev. Reserve	1,768	950	950
Government Grant	7,922	6,676	2,805
External Borrowing	10,990	10,654	12,865
TOTAL	32,380	32,180	30,820

35. Significant works to properties, including mandatory compartmentation works and to accelerate the installation of new fire doors, are being carried out following detailed Fire Assessment surveys. Further funding of £1.5 million is proposed for 2025/26.
36. The Major Repairs budget has been increased by £2.500 million in 2025/26 to £11.100 million to reflect identified programme needs and the transfer of Planned Maintenance staffing costs previously charged to revenue. Details of the proposed programme are set out in Appendix 2 but include an increase in gas boiler replacements, and a catch up programme of new window and door replacements which are required for the Council's drive to have all of its homes certified EPC C by 2030.
37. Funding of £1.870 million is proposed in 2025/26 to continue the upgrade works for decarbonisation of the Council's housing stock and take advantage of any government grant match funding available, as covered in more detail in paragraphs 14 and 15. Additional insulation programmes will be launched in 2025 to enhance the energy rating of properties and reduce fuel bills.

38. The Council's current Housing Strategy and Corporate Plan prioritise the delivery of new affordable housing homes covering the period 2018 - 2026. The proposed capital programme for 2025/26 includes £15.200 million to be invested in additional homes. Expenditure is also expected over the period post 2025/26 through to the end of 2028, which has been accounted for in Appendix 3 with similar levels of proposed expenditure.

HRA Medium Term Financial Position

39. Attached at **Appendix 3** is an indication of HRA budgets for two years post 2025/26 and is included to enable decisions for 2025/26 to be made in the context of affordability for the medium term. With the onset of a significant decarbonisation programme and the increasing expenditure required to maintain the aging stock the HRA is placed under continuing significant pressure. It currently shows an estimated operating deficit of c£1.9 million in 2026/27 and £2.1 million in 2027/28. Expenditure and income budgets will be reviewed for those years with a view to reducing the gap, but any remaining deficit will be closed by reducing the loan principal amount repaid to the externally borrowed commitment level of £4.1 million. Significant future costs of the Major Repairs Programme and the Decarbonisation requirements will require both revenue and capital programme spend priorities to be reconsidered in accordance with the Corporate Plan priorities.

Corporate plan priorities

40. People Priority 1: Helping those in our community with the greatest need: Provide more quality, temporary accommodation for single people and families and work with our partners to tackle homelessness.
41. People Priority 3: Meeting housing needs: Provide increased numbers of affordable homes by 2026. Improve the energy efficiency of over 3,200 council houses by 2030. Work with our housing tenants to understand their needs and provide high quality service standards in line with the government's new Social Housing Charter and regulatory regime.

Options appraisal

42. All spending options were considered, including postponing required capital works, but there is a risk that revenue spending will increase fixing end of life components.
43. Due to the age of a significant number of gas boilers, where parts are no longer available, there are very few alternative options to consider. Phasing of boiler replacements over a number of years has

already taken place, following the obsolescence of major parts in October 2024.

Consultation undertaken

Tenants' Views

44. Tenants' views will be reported orally to Panel at the meeting.

Financial and resource implications

45. Attached at **Appendix 3** is an indication of HRA budgets for two years post 2025/26 and is included to enable decisions for 2025/26 to be made in the context of affordability for the medium term. With the onset of a significant decarbonisation programme and the increasing expenditure required to maintain the aging stock the HRA is placed under continuing significant pressure. Whilst these budgets will be amended in future years, it shows an estimated operating deficit of c£2 million. Significant future costs of the Major Repairs Programme and the Decarbonisation requirements will require both revenue and capital programme spend priorities to be reconsidered in accordance with the Corporate Plan priorities.

Legal implications

46. The recommended capital and revenue funding levels for 25/26 ensure ongoing compliance with legislation and guidance set by central government. Maintaining good quality and safe housing mitigates housing disrepair claims and other health and safety related claims.

Risk assessment

47. Risks related to safety compliance, maintaining the decent homes standard and maintaining the momentum toward achieving EPC C and net zero have been addressed by the recommended revenue and capital programmes.

Environmental / Climate and nature implications

48. The capital works programme continues to provide more sustainable measures to improve the thermal efficiency of Council housing stock, through more efficient window replacement programmes, insulation, boiler replacements and air source heat pumps. Following the previous work of the Greener Housing Task and Finish Group and the Greener Housing Strategy, the Council is committed to undertaking more sustainable measures year on year to reach the target of all 5,200 properties having a minimum energy efficiency rating of EPC C, which will require in excess of £6 million over the next 3 years to

fund the initial phases of the work, and up to a further £9 million by 2030.

49. In the long-term decarbonisation of the entire stock will begin to take priority over meeting the EPC target, which will require the HRA to fund an additional £115 million of expenditure. This will present significant challenges to the HRA and future priorities and strategic choices will need to be carefully considered. Whilst meeting net zero will require some carbon off-setting in due course the programme will remove several thousand tonnes of carbon emissions each year.
50. Initially works are targeted at the worst performing properties, which are often off the gas network and in rural areas. As a result, carbon reduction impacts are likely to be higher at the outset of the programme and targeted in specific geographical areas.
51. All products used in the repair, maintenance and improvement of Council homes are selected to ensure the minimum impact upon the environment, are sourced from recycled materials where possible and at the same time balance the need to improve the energy efficiency of tenants' homes in order to meet the requirement for thermal efficiency under the Decent Homes Standard and meet specified and legal safety standards.

Equalities implications

52. All equality and diversity implications will be considered at every stage of the process of commissioning and carrying out planned maintenance, improvement and cyclical maintenance works. In addition, any contractor used for works will have been assessed, as part of the process in becoming an approved NFDC contractor, in respect of their adherence to equality and diversity principles.
53. The HRA funding priorities support the funding and commissioning of necessary works with a view to improving building quality and safety, and the energy efficiency performance of the council stock, which supports vulnerable people reduce household bills at a time of cost of living pressures, and which reduces disrepair and the exposure to damp and mould tackling health and housing inequalities.
54. The Tenancy Account Team, which incorporates a dedicated support worker, will continue to support and signpost tenants experiencing difficulties paying their rents, working collaboratively with community support networks.
55. The continued support for the development and acquisitions programme in 2025/26 addresses housing need issues and increases the supply of properties in where there is high demand for social

housing, and which supports the Council's aims of tackling homelessness in vulnerable communities.

56. The continued support for the funding of Disabled Facilities Grants in the Council Owned stock support vulnerable and disabled tenants to remain in their own homes or provides suitable alternative housing options for applicants and existing tenants whose needs cannot be met by their existing accommodation.

Crime and disorder implications

57. Many aspects of work identified within this report will improve the security of tenants' homes and improve the condition and aesthetics of neighbourhoods.

Data protection / Information governance / ICT implications

58. There are no implications arising from the recommendations.

Conclusion

59. The proposed uplifted rent (in line with government guidelines) and service charges, as well as partial re-financing of the HRA settlement loan enable increased expenditure on housing maintenance and capital programmes. This increased expenditure ensures compliance with Housing Regulatory Standards. The proposed budget is supported with 30 year projections and potential for fiscal borrowing and debt increases to accommodate the programme.

Appendices:

Appendix 1 – Summary HRA
Appendix 2 – Maintenance Programme
Appendix 3 – 3 Year HRA MTFP
Appendix 4 – Capital Programme
Appendix 5 – 30 Year Business Plan
Briefing Document.

Background Papers: